

EXHIBIT A

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION**

EFD SPORTS, LLC

V.

**BALLY'S CORPORATION,
SINA MIRI, SAM MIRI, AND
ADI DHANDHANIA,
INDIVIDUALLY.**

Defendants.

CIVIL NO. 4:24-CV-87-SDJ

EXPERT REPORT OF SCOTT D. HAKALA, PH.D., CFA

1. I was engaged by the Plaintiff, EFD Sports, LLC (the “Company” or “EFD Sports”) to review the financial and other information produced to date to calculate damages resulting from the alleged breach of contract in which Bally’s Corporation (the “Defendant” or “Bally’s”) failed to pay outstanding invoices to the Plaintiff, prematurely terminated the contract despite accepting the work performed, and contributed to additional loss of income by causing the Plaintiff to forego other professional opportunities.

2. This expert report is preliminary due to limited discovery to date. I expect to review additional discovery and to address any such information.

3. I reviewed in detail the financial records, invoices, and email exchanges between parties.

4. I have reviewed the discovery documents produced to date in detail, including SOW1, SOW2, email exchanges between Soo Kim, Adi Dhandhanian, and Is Elliott confirming the agreed scope of work, invoice no. 10059 for Bally's Fight Night, as well as additional emails detailing the anticipated and required scope of work.

5. On July 13, 2021, Bally's committed to a \$10 million budget for the development, integration, and commercialization of EFD Sports' StrikeTec technology, structured in phases. This budget was intended to cover phased payments to support Bally's exclusive commercial rights to the technology, while allowing EFD to retain consumer rights.

- a. Phased Payment Terms: The initial Statement of Work (SOW1) was updated to SOW2, setting a structured \$2 million payment for the first phase. This included an upfront payment of \$500,000, granting Bally's six months of exclusivity as a commitment to EFD's technology.
- b. Proof of Concept Success: EFD successfully demonstrated StrikeTec's capabilities during a Bally's-hosted event on June 9, 2021, strengthening Bally's interest in commercializing the technology. This led to Bally's formalizing their budget and exclusivity commitment.
- c. EFD's Resource Allocation: At Bally's request, EFD dedicated all resources solely to this project, declining other opportunities, including a significant \$6 million consumer marketing and retail deal with EntroBox involving high-profile influencers.

6. The financial statements of EFD Sports were not in good order.

- a. The Company's balance sheet is made up of expenses that would typically belong on an income statement. Therefore, I did not use Company balance sheet information for inputs into my analysis. See analysis below in Section 12 – paragraphs i and j for detailed description.
- b. The Company's historical income statements also had capital expenditures under operating expenses in 2021. This expense has been removed.

7. Having conducted a detailed financial analysis and considered the market and economic conditions, I have also reached conclusions as to the fair value of the lost income of EFD Sports,

LLC as of specific dates. Fair value is a term of art often used in valuations for financial reporting purposes. Fair value is the market value of the security or equity interest based in its pro rata share of the underlying asset or business without the application of any premiums or discounts that might be applicable to a fractional interest or due to a lack of liquidity for the asset as a result of being a fractional interest.

8. The three scenario schedules are labeled as Base Scenario – Current, Bally’s Scenario, and Entrobox Scenario with the correlating valuation schedules for each listed as A.1, B.1 Revenue Projections, B.2 Projected Income Statement, and B.3 Discounted Cash Flow Valuation. All of the valuations are conducted using fairly conservative assumptions with risk-adjusted discount rates and projections that should be met if the business is operated appropriately. Each scenario is identified with - x after the Schedule label, such that the first scenario in Schedule B.2-1, the second scenario is Schedule B.2-2, and the third scenario is B.2-3 and so forth. The three separate valuations correspond to three scenarios:

- a. Scenario 1 and the -1 versions of A.1, B.2, and B.8 all assess EFD Sports’ value as of approximately December 31, 2021. This valuation reflects EFD Sports’ projected performance at that time with the Company’s actual financial performance from December 31, 2022, through December 31, 2024, assuming no deal is secured with Bally’s or Entrobox and takes into account that the Company currently has no contracts to generate revenue.
- b. Scenario 2 and the -2 versions of the “B” Schedules values EFD Sports using year-end 2021 financial data incorporating projected financial statements from 2022 onward. This provides a more reliable and interpretable basis for valuing EFD Sports as of December 31, 2021, under the assumption that EFD Sports is operating according to the SOW2

agreement with Bally's and adhering to reasonable business practices without any termination of the contract.

- c. Scenario 3 and the -3 versions of the "B" Schedules are similar to Scenario 2, except that EFD Sports is assumed to be contracted with EntroBox instead of Bally's. This reflects the opportunity EFD Sports initially declined to pursue Bally's contract before Bally's later terminated the agreement.

9. My valuation conclusions are derived using an income approach method called the discounted cash flow method (DCF). Although more complex and comprehensive, the DCF method is considered the most appropriate method for valuing a company with unique characteristics, as seen in this case.

10. As part of my valuation analyses, I conducted a search for Public Guideline Companies using Capital IQ and identified Garmin Ltd, Apple Inc., Nike, Inc., Lululemon Athletica Inc., and V.F. Corporation as suitable comparable companies to assist in the calculation of the Weighted Average Cost of Capital (WACC), given the service offerings of the Company.

11. For the Bally's and Entrobox scenarios, I begin with a revenue projection schedule in B.1 Revenue Buildout covering the period from 2021 to 2033.

- a. I used data from Statista to estimate the number of individuals boxing in the U.S., whether recreationally or as a sport. From 2025 to 2033, I projected a declining growth rate, stabilizing by 2027. Similarly, I assessed martial arts participation, applying a steady 1% growth rate starting in 2024. Boxing was assigned a higher growth rate than martial arts due to historically higher participation levels.
- b. I also calculated the total marketable population in the United States by combining the number of individuals who box with those participating in martial arts. Using U.S.

population growth data from 2021 to 2023,¹ I determined the percentage of the population in the addressable market (AM) during that period. With data extending through 2024, I projected a consistent growth rate of 0.53% annually through 2033.

- c. Next, I applied the U.S. participation rate in the AM to estimate the Canadian AM. I adjusted for differences in popularity, reducing the U.S. participation rate by half to reflect boxing's popularity in Canada. Using Canadian population data derived from Statistics Canada² and assuming a steady growth rate, I multiplied the adjusted participation rate by the Canadian population to determine the total addressable market.
- d. I applied the same methodology to estimate the addressable market for Luxembourg³, Switzerland⁴, Norway⁵, Ireland⁶, Denmark⁷, the Netherlands⁸, Austria⁹, Germany¹⁰, and Australia¹¹. See Schedule A.2 Revenue Buildout – Population Method.
- e. I performed this exercise to get a reliable estimation of what the total AM is for EFD's product offerings to calculate expected revenue for the Company under both the Bally's scenario and the Entrobox scenario. In my projections, EFD Sports is not expected to generate revenue from either of these deals until 2022. Therefore, I used the 2022 TAM as the starting point for revenue, even though I calculated the TAM for 2021.

12. In our base scenario, scenario 1, I analyze EFD Sports' projected performance as of December 31, 2021, assuming no deal is secured with Bally's or Entrobox. Schedule A.1 is an approximate

¹ [U.S. Americans who did boxing 2023 | Statista](#); [U.S. Americans who practiced martial arts 2023 | Statista](#)

² [Population and Demography - Statistics Canada](#)

³ [Total Population of Luxembourg – Statista](#)

⁴ [Statistic Counts](#)

⁵ [Population Statistics - Statistics Norway \(SSB\)](#)

⁶ [Census of Population 2022 - Summary Results \(CSO Ireland\)](#)

⁷ [Denmark Population Data – Macrotrends](#)

⁸ [Netherlands Population – Worldometers](#)

⁹ [Austria Population Growth Rate – Macrotrends](#)

¹⁰ [Current Population of Germany – Destatis](#)

¹¹ [Population Census - Australian Bureau of Statistics](#)

normalized financial statement as of around December 31, 2021. The Company has historical income statements through September 30, 2024, and these historical income statements were used in my projections in Schedule B.2-1. From 2025 and onward the projections used are based on management's expectations. The base period in Schedule B.2-1 is a normalized financial statement approximating the trailing twelve months of business from the valuation date. These assumptions are tied to the actual normalized and adjusted financial statements in Schedules A.1.

- a. In Schedule B.2-1, I set out the assumptions for the business starting in 2025 as I had actual historical financials for fiscal years 2021 through 2024. I assume zero revenue going forward, as Mr. Elliott mentioned there are currently no revenue opportunities in place and the company is low on cash. This reflects the lack of capital and contracts and minimal positive momentum at this time. Consequently, the cost of goods sold is zero, as there are no sales. Operating expenses are projected at \$15,000 per year at then to end, which is the minimum required to maintain and satisfy current users.
- b. There is no depreciation, as there are no sales or purchases of PP&E, and no other income is expected. There is also no depreciation in 2019, 2020, or 2021. Since there are no taxable profits, taxes are not projected. In the DCF model, net income equals cash flow, as there are no changes to working capital or capital expenditures. The net cash flow is directly based on net income.
- c. To calculate the present value of future cash flows, I apply a discount factor using the first WACC calculation of 19.3%, multiplying the net cash flow by the present value factor.
- d. In Schedule B.4, I calculated a weighted average cost of capital for the business. I used a relevered beta derived from an unlevered beta calculated from the public guideline companies. I input a 5.00% small stock premium suitable for a private company with more

risk. I also added a 6.00% specific company risk premium to account for downward risk and “skewness” of risks based on experience and past market studies. The resulting cost of equity of 20.3% covers the risks today associated with the business. The total WACC in B.4 is 19.3%. For the residual value of the business in the Bally’s and Entrobox scenario, I use a lower WACC of 16.5% by reducing the small stock risk premium and unsystematic risk premium to 4% each to represent that the Company is more stabilized and carries less risk at this point in time. The calculation for the lower WACC is provided in a second page to Schedule B.4.

13. Using the total addressable markets, I projected revenue for the next scenario involving Bally’s deal. For Bally’s, I apply an aggressive approach, assuming an initial penetration rate of 0.025% due to Bally’s larger marketing efforts. I also assume a 0.025% growth rate after the initial penetration. For both the Bally’s scenario and the Entrobox scenario, the Plaintiff’s revenue is projected to begin in 2022. The revenue build in schedule B.1 begins in 2021 to show a wider spectrum of data, however, I use the 2022 TAM number to forecast 2022 revenue in both scenarios.

- a. To project hardware revenue, I used a per-unit price of \$299, as provided by management, and assumed an initial penetration rate of 0.025% and a subsequent growth rate of 0.025%, increasing annually until 2026. Starting in 2027 I assumed a growth rate of 10% declining to 2.5% by 2031. This methodology is used to bring the growth rate to a sustainable level. Units sold are calculated by multiplying the unit capture rate by the total addressable market, and hardware revenue was determined by multiplying units sold by the per-unit price.
- b. For subscription services, I assumed a conservative hardware-to-subscription conversion rate of 50%, which is more conservative than management's estimate of 80%. I then

calculate the number of new subscribers by multiplying the units sold by our assumed 50% conversion rate. I also account for a 20% churn rate, representing the percentage of new subscribers lost, resulting in a net number of new subscribers by year-end. For existing subscribers lost, starting in year two, this is determined by applying the attrition rate to the prior year's total subscribers.

- c. In year two, I subtract net new subscribers from the end-of-year total and apply a 10% attrition rate. In year three, the calculation becomes more complex: I multiply net new subscribers by the attrition rate, then add the remaining subscribers from the previous year (end-of-year subscribers minus net new subscribers) and apply the post-attrition rate to that group. This method accounts for both new sign-ups and attrition, giving us the total number of subscribers.
- d. For subscription revenue, I calculate the average number of subscribers by taking the midpoint between the end-of-year subscribers from the previous year and the current year. This reflects the fact that not all subscribers sign up at the start of the year. I then multiply this average by the price per month and by 12 to account for the full year's revenue. This process is repeated each year. Starting in 2027, I assume a 10% growth rate, which gradually slows to 6% in subsequent years and eventually stabilizes at a lower rate of 2.5% by 2031.
- e. I assume that in the first year, the company won't be able to secure the bulk price for all units due to orders ramping up over year 1. So, for the cost calculation in year one, I use the non-bulk cost of \$127.05 per unit, applied to half the units produced, plus the bulk cost of \$75 per unit, applied to the other half of the units produced, along with the \$7 shipping cost per unit. The total cost of goods is calculated by adding these components together.

- f. For year two, I assume all units are purchased in bulk, so the calculation for cost is based solely on the bulk price per unit, multiplied by the number of units shipped, plus shipping costs.
- g. For operating expenses, I analyzed RMA data for Sport and Athletic Goods Manufacturing, focusing on companies with sales between \$10 million and \$25 million, as well as RMA data for Software Publishers with sales between \$5 million and \$10 million and between \$10 million and \$25 million. I averaged the data from 2021 to 2024 for Sport and Athletic Goods Manufacturing, and from 2022 to 2024 for Software Publishers, as no 2021 data was available. I then applied these averages to project operating margins. To calculate operating expenses (OPEX), I first multiplied the operating expenditure projection for Sport and Athletic Goods Manufacturing, based on RMA data, as a percentage of revenue by the Company's hardware revenue. Then, I multiplied the operating expenditure projection for Software Publishers, also based on RMA data, as a percentage of revenue by the Company's subscription revenue. Finally, I added the fixed annual app maintenance estimate to the operating expenses to account for the business's different segments and anticipated application maintenance costs.
- h. Due to the Company's limited balance sheet information, I calculated expected capital expenditure using two comparable companies discussed with Mr. Elliot that have a similar business structure to EFD. I used Nike and Peloton's Income Statement and Cash Flow Statement information to determine what these two comparable companies' capital expenditures are as a percentage of revenue. I then averaged this data, excluding 2022 for Peloton, and applied the capital expenditures (capex) as a percentage of revenue to EFD.

- i. For earnings before interest, depreciation, and amortization (EBITDA), I derived depreciation expenses by aligning them with projected capital expenditures (CapEx). See the paragraph above for how capital expenditures are projected.
 - j. To calculate working capital, I started with the industry average sales-to-working capital ratio and adjusted it based on my assumption. Initially, I set this ratio to 2.5, as startups typically have a lower ratio due to significant investments in inventory, marketing, and operations while sales are still scaling. Additionally, startups typically experience less favorable payment terms with suppliers and customers. As the business grows, the ratio increases to 3.45 over time.
 - k. To back-calculate networking capital, I used the company's projected revenue and applied the sales-to-working capital ratio from industry data. By dividing sales by the ratio, I determined the required networking capital for each year. In year one, since the company has minimal operations, networking capital is assumed to increase or decrease as necessary. For example, in year two, with approximately \$3.3 million in sales and a 2.82 sales-to-working capital ratio, networking capital is approximately \$1.2 million, resulting in an increase of approximately \$517,000 in working capital.
 - l. This increase in networking capital represents a use of cash in the DCF calculation.
14. Scenario 3's analysis is similar to Scenario 2, except that EFD Sports is assumed to have a contract with EntroBox rather than Bally's.
- a. For EntroBox, I use a more conservative approach to project hardware revenue, with an initial penetration rate of 0.01% and a growth rate of 0.025%, increasing annually. The cost of goods model will follow the same as the previous scenario, and I will apply the same

long-term growth rate as in the previous scenario. The same equations used in Scenario 2 will be applied for this scenario.

b. For total revenue, I simply sum both hardware and subscription revenues.

15. After analyzing these three scenarios, it is my opinion that the Company would have achieved an equity value of \$10,841,332 under the agreement with Bally's as of December 31, 2021, an equity value of \$4,832,555 if they had entered into an agreement with Entrobox as Bally's instructed them not to. The current valuation of the equity of the business based on management expectations under Scenario 1 is -\$257,427. This leads to the conclusion that the economic damages sustained by the client are equal to \$11,098,760 under the Bally's agreement and \$5,089,982 under the Entrobox agreement assumptions.

QUALIFICATIONS

16. My expertise and experience are set forth in Exhibit A to this Report. I have more than thirty years of experience as a financial analysis and valuation expert. That experience has included:

- a. Valuing businesses at the prospective stage for financing, investment, and other purposes.
- b. Researching markets and preparing forecasts for sales of software and consumer products.

17. I am independent of the parties in this matter. My fee is not contingent upon the outcome. My compensation is at the hourly rate of \$610 per hour with a limit of \$15,000 (less than our actual billable fees in total) through this report. I received substantial assistance in researching and preparing the analyses underlying this report. All subsequent time will be billed at my hourly rate but with budgets in mind.

INFORMATION RELIED UPON AND REVIEID

18. A substantial amount of information has been produced to date but often in less-than-accurate or useful or complete forms and formats. I have relied heavily on discussions with Mr. Elliott to understand and develop the schedules and conclusions prepared to date. A more complete listing of documents is provided in Exhibit B. I have relied on my experience as an appraiser, financial analysis, knowledge of market interest rates, and other information. A certification is provided as Exhibit C to this report.

FURTHER DISCUSSION

19. I expect to update and supplement this report. I also expect to consider any depositions that might be taken in the interim.

Executed in Tarrant County, Texas on November 15, 2024



Scott D. Hakala